

Before the
POSTAL REGULATORY COMMISSION
Washington, DC 20268-0001

Market-Dominant Price Change : Docket No. R2023-1

COMMENTS OF THE GREETING CARD ASSOCIATION

The Greeting Card Association (GCA) files these Comments pursuant to Order No. 6296. GCA comprises about 200 greeting card publishers and other companies and is the postal trade association which speaks for those companies and for the individual citizen mailer.

Price cap compliance. Review of the Postal Service's price cap calculations for First Class indicates that those calculations are correct. GCA accordingly does not raise cap compliance issues in this proceeding.

Understanding that the focus of this proceeding is likely to be compliance with the price cap, GCA still would highlight certain problems which could resurface in the upcoming annual compliance review and which will perhaps suggest to the Postal Service some beneficial ways in which to reorient the exercise of its pricing flexibility.

The non-machinable surcharge (1) – who is affected. In this Docket, the Postal Service once again proposes an increase in the surcharge for non-machinable Single-Piece First-Class Letters. In the last few years, this surcharge has been raised from \$0.20 to \$0.30 and then from that level to \$0.39. This is a total increase of 95 percent in just two rate cycles. If the Postal Service's current proposal is accepted, the surcharge will have been doubled.

In rejecting GCA's arguments against the drastic increase in the surcharge, however, the Commission made two important findings.¹ In GCA's view, these findings should inform the Commission's view of the non-machinable surcharge when it is reviewed substantively.

The Commission recognized that the non-machinable surcharge bears most heavily on households and small businesses. These are mailers who do not – and who as a rule, for volume or other reasons, cannot – use a Presort category.² At pages 73-74 of the FY 2021 *ACD*:

The Commission agrees that households and small businesses are most likely to be affected by the increase in the non-machinable surcharge alone. . . . Although household and small business mailers were more affected by the non-machinable surcharge alone, they likely also experienced smaller increases for other aspects of their mailings given the overall below average increase for First-Class Mail Single-Piece Letters/Postcards.

That reasoning may have been persuasive in the then-prevailing context, but in this case the increase for Single-Piece Letters is materially *above* average (5.046 percent as against 4.200 percent for the class as a whole). The “overall below average increase” situation prevailing in the 2021 compliance review is no longer present, and there is no cogent reason to think it will be present in the future.

In the FY 2021 *ACD*, page 74, the Commission also agreed “that not all non-machinable pieces require manual processing[.]” This circumstance bears on whether the rate for a non-machinable letter is reasonable in relation to the cost of manual processing – which the Commission cited as an important reason for the surcharge.

¹ FY 2021 *Annual Compliance Determination*, pp. 73 et seq.

² First-Class Automation Letters are by definition machinable. The only Presort category of which this is not true is Nonautomation Presort – about 530 million pieces in FY 2021 as against 27.8 billion for Presort as a whole, or about 1.9 percent. And it cannot be presumed that all those Nonautomation Presort letters are in fact non-machinable.

The non-machinable surcharge (2) – what uses of the mail does it affect? In Docket ACD2021, we showed that the surcharge affects personal correspondence most significantly.³ We pointed out that household-origin bill payments are most unlikely to be non-machinable. It is thus personal correspondence – letters, greeting cards, invitations and announcements, and the like – which bear the burden of the surcharge.

Accepting the Commission’s characterization of the price as a unitary one comprising both the basic postage and the surcharge, it is still true that it is personal correspondence and not transactional mail which is affected. To concentrate its effect on personal mail is questionable under the Postal Service’s basic charter:

. . . The Postal Service shall have as its basic function the obligation to provide postal services to bind the Nation together through the *personal*, educational, literary, and business correspondence of the people. . . .[italics added]

39 U.S.C. sec. 101(a). If one thinks of Single-Piece Letters as an undifferentiated mass, it may seem unremarkable to “disincentive” non-machinable pieces. That the “disincentivization” affects specifically personal correspondence should suggest a fresh look.

Non-machinability – its treatment in bulk mail. It is instructive to compare the treatment of non-machinable Single-Piece letters with that accorded the only Presort category in which non-machinable pieces are permitted. The price for Nonautomation Presort letters is arrived at by computing the savings, in relation to the Metered Letters benchmark, which Nonautomation Presort preparation creates. The Nonautomation Presort price is not then inflated deliberately to “disincentive” the sending of non-machinable mail; its price is determined by a cost difference. The passthrough of the avoided cost is as much as 87 percent (for 5-Digit pieces). For less fine presortation levels it is indeed much lower, but the important point is that it is determined in the first instance by actual cost differences.

³ Docket No. ACR2021, *Initial Comments of the Greeting Card Association*, pp. 3-4.

If this is an appropriate pricing technique for a bulk category⁴, it at least suggests that attention to actual cost difference would be desirable for the chiefly affected Single-Piece category as well. The Postal Service's *Public Cost Segments and Components* reports indicate that since FY 2016 – well before the drastic increases in the non-machinable surcharge – mail processing cost for Single-Piece Letters (Cost Segment 3) has increased about 38 percent. But, as noted, the non-machinable surcharge had already increased 95 percent and if the present proposal is accepted it will have doubled.

The importance of personal correspondence. As a matter of general pricing policy, it would be prudent to encourage a type of mail which has shown the capacity to survive against e-media encroachment and economic hardships like the pandemic. Reference to the successive *Household Diary Study* reports would show that the mail types there identified as personal correspondence have maintained their volume level much more steadily than bill payments (the largest other component of Single-Piece Letters). The large increases in the non-machinable surcharge affect personal correspondence, and are the reverse of an incentive appropriate to maintain and even grow its volume and revenue.

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Respectfully submitted,

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⁴ And both the Commission's rules (39 CFR Part 3030, Subpart J) and section 3622(e) of the statute indicate that it is.